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A Discussion Paper on the Community Development Fund

Working Group on Financing Mining Community Adjustment

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Financing Mining Community Adjustment

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FOREWORD

This document was prepared in response to a request by Federal, Provincial, and Territorial Mines Ministers at their September 1985 Conference. It continues work begun in a 1985 report entitled New Financial Mechanisms for Addressing Mining Community Problems, and is one of two discussion papers prepared for the 1986 Mines Ministers Conference on the subject of financing mining community adjustment. This paper discusses the Community Development Fund, which addresses adjustment problems at the community level, while the other paper concerns the Personal Adjustment Plan, an individually-based adjustment mechanism.

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EXECUTIVE SUMMARY

Process

1. The September 1985 report to Mines Ministers, New Financial Mechanisms for Addressing Mining Community Problems, outlined five ideas for mechanisms to strengthen the adjustment capability of mining communities. As directed by Ministers, this paper examines one of those five ideas, the Mining Community Reserve: Option B. For brevity, it has been retitled the Community Development Fund (CDF).

2. This paper was prepared for Mines Ministers by a working group comprised of representatives from the Mining Association of Canada, the United Steelworkers of America, the Canadian Association of Threatened Single Industry Towns, the federal government and several provincial/territorial governments. Annex III contains a list of participants.

Program Objectives and Rationale

3. It is evident that one of the main challenges facing mining communities is to diversify the local economic base and otherwise prepare for mine closures/layoffs and cyclical downturns in the mining industry. The Community Development Fund proposal seeks to ensure financing is available at the local level to improve diversification potential and facilitate adjustment readiness.

4. The key elements of the proposed CDF that in combination make it different from any existing program are:

i) it is a proactive program and not crisis oriented or reactive;

ii) it is a voluntary program which places prime responsibility on the local government and the community for planning their own future;

iii) it gives expression to the concept of shared responsibility whereby the three levels of government, the community and the industry are involved in developing ways and means of mitigating the impact of layoffs and mine closures; and

iv) it allows communities to participate according to their will and financial capability.

5. Except for the new Community Futures Program and Manitoba's Mining Community Reserve Fund, there are currently no programs of this nature in Canada designed to respond specifically to the economic problems of single industry towns. The CDF could complement existing programs by encouraging long-term planning and providing greater flexibility to respond to local needs.

6. While mining communities are the example used in this paper, the CDF proposal could apply equally to other single industry resource communities, e.g., forestry and energy.

Details of the Proposal

7. If the Community Development Fund mechanism were implemented, responsibility for establishing CDF's would remain at the local level. Eligible single-industry communities would make the initial contribution to their fund from locally-generated revenue. Sources of the local revenue could include municipal budget reallocations, the mining company and other taxpayers, and volunteer fund-raising initiatives, depending on local circumstances. The amount that the mining company would contribute remains a difficult issue, with industry and the labour movement likely to hold divergent views.

8. The provincial and federal governments would also contribute to the fund, in amounts at least equal to, if not exceeding, the local contribution. Contributions would continue according to agreed upon guidelines for a specified number of years.

8. Disbursements from CDF's would be made at the local level following guidelines established by the three levels of government. Community Development Committees with diverse local representation, along with representation from senior governments, would have a role in decision-making about expenditures from the Fund.

Options

10. Within the general CDF framework, three broad options are proposed. They concern both the uses to which CDF monies could be put, and the degree of local control over disbursements. Within each option, further refinements are possible.

Option 1 - Eligible expenditures would be relatively narrowly defined, and would be restricted to "traditional" public sector development activities, including creation of an Economic Development Office, diversification studies, marketing, and advertising. Of the three Options, this one is most similar to the Federal Community Futures initiative. Decisions on disbursements would rest with the Community Development Committee.

Option 2 - Eligible expenditures would be much broader in this case. In addition to Option 1 activities, the CDF's could be used to provide seed capital for local projects in cooperation with private sector investors. A portion of the Fund would be held in reserve for adjustment activities, including support for the local tax base and temporary maintenance of essential services in the event of major layoffs or closures. As under Option 1, the Community Development Committee would have decision-making authority.

Option 3 - This option, proposed by the Canadian Association of Threatened Single Industry Towns, is similar to Option 2 in terms of eligible uses of CDF's. The difference is that decisions on disbursements would rest with the Town Council, and Community Development Committees would make recommendations only.

Program Parameters and Costs

11. The appropriate size of a CDF is largely a function of local economic conditions and the optimal size would vary widely. Despite these factors, it is suggested that a "typical" mining community, which has not previously undertaken diversification work, would require a CDF that would support expenditures of the order of $170,000 annually. Greater funding would be required if Options 2 or 3 were adopted, due to the wider range of eligible projects.

12. The costs of contributing to a CDF do not appear prohibitive for any of the three levels of government. According to the analysis in this paper, locally-generated financing in the range of $50,000 - $100,000 annually seems manageable for many mining communities. Those facing imminent crisis, and without time to establish a CDF, would require a special response. It appears that provincial contributions of the order of $100,000 would also be feasible. Possible provincial funding sources would include temporary small increases in municipal transfers, and reallocations of mining tax revenue. The Community Futures Program of the Canadian Jobs Strategy is an appropriate source of federal contributions. The design of Community Futures is consistent with this proposal, and indeed the CDF could be a logical progression of the Community Futures initiative. Some $100,000 - $200,000 could be allocated to each CDF community annually from Community Futures.

13. According to this analysis, a program with total annual contributions from the three levels of government in the range of $200,000 - $400,000 for each community would be feasible. In determining the three funding shares, a ratio could be defined (e.g., 1-1-1, or 1-2-3 where the federal government covers the largest share and the community the smallest), or each level of government could put a cap on their respective contributions. Such a program if extended to the 75 mining-dependent communities could require an estimated expenditure of $7.5-$15 million annually from the Community Futures budget with annual provincial costs ranging from $1.0-$9.0 million, depending on the number of mining communities in the province. Substantial CDF's could be built up in as short a period as two years.

Conclusions and Next Steps

14. It is generally accepted that mining communities are ill-equipped to deal with the impacts of a highly volatile marketplace. Most government programs for dealing with single industry community problems have been largely crisis-oriented and reactive, with key decisions being made only when a crisis is imminent. The proposed CDF would give these communities the ability to better plan for their future and deal with adjustment problems in a pro-active way. The benefits from such a program would be more versatile, diversified local economies and greater job stability and opportunities. These factors would in turn serve to cushion the impact of cyclical downturns and mine closures and reduce adjustment costs to governments and industry.

15. It appears that there is a significant measure of public interest in diversification funds of the type described herein. The Canadian Association of Threatened Single Industry Towns supports the idea and a recent report by the Ontario Task Force on Resource Dependent Communities favours an initiative similar to the CDF. The Employment and Immigration Advisory Council is also looking closely at the idea.

16. A program like the CDF could partially meet one of the few outstanding recommendations of the influential 1982 Report of the Task Force on Mining Communities.

17. If Mines Ministers wish to see the Community Development Fund proposal advanced, steps which could be taken are:

(a) presentation of this report to the federal Minister of Employment and Immigration, who is the lead Minister at the federal level on community adjustment matters;

(b) a review by interested provinces of the financial, economic and other implications of the proposal within their respective jurisdictions.

(c) depending on the results of (a) and (b), Mines Ministers could propose specific mining communities within their jurisdictions as pilot project examples in which to test the CDF model.

Financing Mining Community Adjustment: The Community Development Fund

I. INTRODUCTION

The uncertain future of many of Canada's mining communities is a matter of concern for industry, labour, federal and provincial governments, and most importantly for the people who live there. The issue was first given formal attention in the 1982 Report of the Task Force on Mining Communities. Subsequently, in May 1985, Mines Ministers again focussed on the difficulties facing mining communities in the event of major layoffs and closures. Ministers were particularly concerned about trying to find ways to finance community-based adjustment assistance. As a result, a joint Energy, Mines and Resources-Manitoba study, New Financial Mechanisms for Addressing Mining Community Problems, was tabled at the September 1985 Mines Ministers Conference in Charlottetown.

The September 1985 study outlined five ideas for financing adjustment programs in single-industry, resource-based communities, notably those dependent on mining. Mines Ministers were particularly interested in the Mining Community Reserve Fund: Option B concept and agreed that it warranted further study. A working group was subsequently created, with representation from labour, industry, single industry communities, as well as provincial and territorial mines departments and the federal departments of Employment and Immigration, and Energy, Mines and Resources. It was asked to look in detail at the proposal and report back to Ministers.

This discussion paper examines the Mining Community Reserve Fund: Option B which, to simplify, has been renamed the Community Development Fund (CDF). Options for implementation and possible program design criteria are developed and policy and cost considerations are explored.

The Community Development Fund proposal is based on the concept that a key to securing the future of a singly industry community lies in forward planning and diversifying the local economy. It would take a fundamentally new approach by assigning a lead role to the local government in generating interest, and financing, for community economic growth. Under the proposal, the senior levels of government would provide financial support for those efforts.

A reality of the 1980's is that funds available to federal and provincial governments to finance new programs are extremely limited. This applies equally to programs for mining community adjustment. Consequently, a central factor in the designing of the Community Development Fund has been that costs must be shared where possible, and that the draw on public money must be limited. A strength of the proposal discussed here is precisely that the financial burden on traditional sources is contained and all three levels of government, along with community residents and employers, could participate in establishing and operating the CDF.

The analysis in this paper responds to recommendation 12 of the 1982 Report of the Task Force on Mining Communities, which proposed further evaluation of financial mechanisms to ease the adjustment of mining communities and workers. Implementation of the Community Development Fund proposal could represent a major step in the implementation of Recommendation 13, which stated that economic diversification should be an integral part of the community planning process.

II. PROGRAM DESIGN

In this section, details of the Community Development Fund idea are developed. The program objectives are discussed, as is the basic operation of the Fund. It bears emphasis that this section will outline how the proposal could work, and not necessarily how it should work. Individual communities and provinces have their own unique circumstances to take into account, and a wide range of variations on the framework described herein are possible.

Objectives

The 1982 Report of the Task Force on Mining Communities considered in some depth the matter of mining community diversification. It challenged the widely-held view that economic diversification of small, single-industry communities is a panacea. It is suggested that factors affecting diversification potential include location, climate, resource endowment, and the lead time available to respond to a mine closure. In some communities (e.g., Uranium City, Saskatchewan) diversification of the economic base has not been successful. Nevertheless, the Task Force found that:

> "economic diversification is still an important tool for dealing with the problems of mining communities facing decline or crisis. In addition to reducing community vulnerability to the effect of mine cutbacks and closures, it can help to strengthen the social fabric by attracting people who are more inclined to stay and make a commitment to the community. A diversified economic and social structure gives residents a wider range of employment and lifestyle alternatives to choose from. While the immediate consequence of a cutback or closure is a glut of people looking for work, a more diversified economic base gives individuals the prospect of employment alternatives and, hence, reasons for staying and pursuing these alternatives".

The prime objective of the Community Development Fund is to facilitate, where appropriate, this type of economic diversification and forward planning.

There is a considerable history of government programs in Canada to encourage regional or community diversification. A lesson that has been learned from some of those programs (e.g., the Industrial and Labour Adjustment Program (ILAP)) is that success in program effectiveness terms is more likely where the community is directly involved, and participates in the decisions that will affect its own future. The Canadian Association of Threatened Single-Industry Towns reports, for example, that a development plan for Lynn Lake, Manitoba identified 48 projects and priorities for the area, but that there were no known government programs to address 37 of these. The CDF is based on the principle that early and effective local participation can improve program flexibility and help to prevent the problems that Lynn Lake encountered.

One "success story" is Atikokan, Ontario. Faced with closures of the iron ore industry (which provided the basis for local employment), the community took a number of steps to mitigate the adverse effects on residents. The community had substantial lead time because the 1979 and 1981 mine closures were announced in 1972, and it made good use of the time. Economic development offices were created to enhance the local economic base. The natural advantages of the community (e.g., good resource endowments and transportation links) were exploited. Also, and perhaps most importantly, the local citizens were committed to the town. These factors, and a number of others which are well documented, indicate the benefits that can result from well-placed diversification efforts.

In this vein, it is noteworthy that the new Canadian Jobs Strategy, and in particular the Community Futures element, recognize the importance of local involvement. As the information package for the Strategy states, "Community Futures will address real needs by responding to initiatives proposed by the communities themselves, and by providing programs closely tailored to individual community needs". Details on Community Futures, and its potential link to the Community Development Fund, are discussed below.

Basic Operation

In principle, the Community Development Fund would be a fairly straightforward mechanism, in that a mining community wishing to diversify the local economic base, or prepare for the possibility of major layoffs, would establish a fund for this purpose. To ensure that the community takes the lead, initial financing of the fund would be from locally generated revenue. An incentive for the community to establish such a fund, aside from the potential economic benefits, would come from additional federal and provincial contributions. These could either match or exceed the amount generated locally. After a relatively short period a fund of significant size could be built up, based on financing by the three levels of government. Following guidelines agreed upon by the contributing governments for the operation and uses of the fund, the community would then have significant involvement in disbursements.

Qualifying Criteria

The rationale for creation of a CDF stems from the fact that in current circumstances, communities dependent on a single industry tend to lack the capacity to adjust, or even survive, if the primary industry closes or announces major layoffs. In such towns, a CDF would be appropriate. However, the CDF proposal could not be implemented effectively without criteria defining which communities could face economic situations consistent with the program rationale.

The following criteria, which communities would have to meet in order to receive federal and provincial CDF contributions, are suggested:

1. The community must be mineral resource dependent (i.e., a significant percentage of the community's workforce must be employed in the local mining/mineral processing industry;

2. There must be agreement by all three levels of government that a CDF should be a priority for the community; and

3. The community must be willing to participate in a CDF program and to give a commitment to make the initial contribution to the Fund for each year that contributions are made.

In considering the first criterion, it is clear that it has the effect of focussing the program on single-industry situations. Specifically, of course, the current proposal is designed with a view to mining communities, though in theory decision-makers could extend the program to resource-dependent communities in other sectors. In the New Financial Mechanisms report, "significant" dependency on mining is defined by a labour force where 15% or more of local employment is in mining. This would include some 74 communities. An additional 31 communities would be included in the program universe if the 15% criterion were replaced in favour of one which required only that mining be part of the economic base, however small. Regardless of how the criterion is applied, it is nevertheless intended to identify those mining communities without diversified economies.

The second criterion provides a flexible means to identify in which communities a CDF appears justifiable. Flexibility is the key here, since arbitrary exclusion of apparently strong communities could inhibit precisely the sort of long-term planning that the CDF is intended to encourage. This criterion would require communities wishing to participate to demonstrate how the program could be of benefit to them. The larger mining communities may have difficulty in meeting this criterion if, for example, they are well established as regional centres.

The requirement that the community must take the lead in establishing a CDF is central to the basic CDF concept. It ensures that there is a tangible commitment by the local residents, which itself enhances the likelihood of program success.

An issue that arises in the context of community diversification is the view that because of location, climate or other factors, some communities will never succeed in broadening their economic base, so it would be a waste of money to try. While there is evidence to support this view, it is not proposed that criteria be developed to identify or exclude these communities from the CDF program. The reasons for this approach are: (1) a priori assessments of diversification potential are hazardous at best and do not take into account the entrepreneurial initiative of community residents faced with closure of their town; and (2) the fact that the community is willing to risk its own money makes financial participation safer for senior governments. In general, communities should have the opportunity to act on the problems they face, and the downside risk that diversification might not prove feasible in some towns may be outweighed by the potential benefits arising from communities having had the opportunity to be successful in their economic development and planning efforts.

III. IMPLEMENTATION ISSUES

Implementation of the CDF could involve a twofold process. Firstly, guidelines governing all CDF's could be established by participating levels of government. The purpose of the guidelines would be to define the rates of contribution, and kinds of expenditures that could be made from the fund. This step would be essential to ensure that the basic objectives of CDF's are applied uniformly across Canada. Given the national scope of the proposal, it would appear appropriate for the federal government (e.g., Employment and Immigration Canada) to agree on guidelines with the participating provinces.

The format of the proposed guidelines could differ among participating provinces. Contribution amounts could be linked to particular program objectives, so that for example, the amounts contributed to diversification projects might differ from those for adjustment. Similarly, the guidelines could commit federal and provincial governments to contribute specific amounts to CDF's, but the funds would not actually be allocated until they are needed. Also, a priorizing of uses of the fund could be managed this way. These sorts of operational matters could each be addressed in the guidelines, and be tailored to provincial or local needs in a fashion similar to the Economic and Regional Development Agreement mechanism.

The second process would be the establishment of locally-based "Community Development Committees". Such committees would be struck in each community with a CDF, and would include local, provincial, and federal representation. The committee could be charged with making decisions or recommendations on fund disbursements as well as liaising with senior levels of government on community development issues. Though Community Adjustment Committees under the old ILAP program were advisory in nature, Canada has had a positive experience with the local committee approach.

Local committees similar to those just described are contemplated as part of the Community Futures program. The specific role of the committees under this program is essentially to develop and supervise a community action plan. A national committee responsible for the federal role in Community Futures is also planned. With sufficient local autonomy, the Community Futures Committees could serve as an ideal mechanism for Community Development Fund delivery.

An issue that would require attention is the accountability of the Community Development Committees. Each level of government would require adequate control over disbursements of funds it has contributed. Representation from each government on the committee could partly address this problem. Nevertheless, some formal agreement would probably be necessary to define the role, the decision-making authority, and accountability, of the committees. Other control mechanisms, including partial or contingent funding, or interim program assessment in each community, could be implemented.

An important matter is how a community would proceed to implement a CDF. The key is that the initiative would come from the local level. The Town Council or equivalent body could decide to proceed with a CDF, and having determined the sources and amounts of local financing, would approach the provincial government. Once the appropriate provincial agency agrees to participate, a joint submission could be made to the federal government to secure the federal contribution. So long as the qualifying criteria are met, the start-up process need not be lengthy.

One potential administrative advantage of the CDF concept is that there is not likely to be the need for enabling legislation at the federal level, particularly if Community Futures were the delivery mechanism. Indeed, linking Community Futures to a mechanism like the CDF could be a logical evolution of the Community Futures Program.

At the provincial level, revised mining tax legislation would probably be necessary if provinces chose to sideline mining tax revenue into CDF's. Also, it would be necessary to examine, on a province by province basis, whether current legislation permits communities to establish and finance reserve funds of the type described here. Municipalities would more readily establish CDFs if there was clear legal authority on which to do so.

IV. OPTIONS

Thus far, this paper has described the major features of the Community Development Fund proposal. However, within this framework, a number of different options exist for the specific operation of the CDF. In particular, important choices need to be made concerning the uses to which the fund could be put and the degree of local control over disbursements from the fund. The working group established has developed three options which differ substantially on the questions of control and uses of the fund.

In evaluating the options, it is illustrative to take note of the expenditures which have been deemed eligible under Manitoba's Mining Community Reserve Fund. The Manitoba Fund has made disbursements for three general purposes: (1) to offset local government financial shortfalls caused by mine closures; (2) to fund short-term job creation; and (3) to fund development work to strengthen and diversify the economic base. Manitoba's fund has somewhat broader objectives than the CDF, but it is the most similar, currently operational fund with which to compare.

OPTION 1 - DIVERSIFICATION FUNDING ONLY

The pivotal feature of this option is that it would restrict the uses to which a CDF could be put to relatively narrowly defined economic development activities. Explicitly excluded would be expenditures on personal adjustment activities, and joint participation in business ventures. Short-term job creation projects and offsets to local government shortfalls caused by mine closures would also be excluded. The activities that would be eligible are the more "traditional" development projects undertaken by governments, including the establishment of an Office of Economic Development in a community, studies of diversification potential and opportunities, impact assessments, marketing, advertising, and liaison with senior governments.

In evaluating this option, it is useful to consider that in previous community assistance programming, one aspect that received criticism was the "crisis orientation". The programs were focussed more on easing the burden of the major layoffs or closures, and less on preventative measures to strengthen the community's ability to with-stand these kinds of shocks. For example, communities were not eligible for Industrial and Labour Adjustment Program (ILAP) and Modified ILAP assistance until after the layoffs occurred. By restricting expenditures in the fashion contemplated in this Option, the CDF would clearly be designed only as an instrument of medium and long term economic planning.

The kinds of activities fundable under this option would appear, in large measure, to be eligible for funding under the Community Futures program. An important difference however is that because of the shared financing approach, it is likely that many more communities could undertake these activities than if the sole source of funds were Community Futures.

A notable benefit of the approach presented in Option 1 is that it would require the least amount of public money to be effective since it is the most restrictive in terms of eligible expenditures. The costs are examined in greater detail below. However, this option may not be preferred by community leaders, who may argue that the CDF should be broader in scope and should be used to finance a broader range of diversification, adjustment, and infrastructure development projects.

OPTION 2 - DIVERSIFICATION AND ADJUSTMENT FUNDING

Option 2 would be similar to Option 1 in terms of basic structure and operation. However, the key difference is that the fund could be used not only for diversification activity (i.e., Option 1) but also to provide seed capital and to finance adjustment. Specifically, in the event of total closure of mining operations or downsizing of the community, a part of the fund would be retained for adjustment needs not covered by existing programs. These needs could include:

a) downsizing planning and implementation;

b) maintenance of essential services for an initial period of adjustment as required;

c) tax base support and equity compensation for property owners during the adjustment period;

d) adjustment assistance for laid-off workers; and

e) support for social and recreational services during downsizing.

Some working group members suggest that 80% of the CDF be used for diversification (including seed funding) and 20% be retained for adjustment in the event of downsizing by the primary employer. The United Steelworkers of America suggest that 50% of the fund be applied to diversification and 50% to adjustment activities.

Seed money to encourage capital or infrastructure investments is a possible use for the CDF under this option. The appropriateness of this type of spending should only be evaluated on a project by project basis. Consequently, under this option CDF support for capital and infrastructure activities would be permitted only in special circumstances and would have to come under careful scrutiny.

Introducing the adjustment feature to the CDF raises the question of how the CDF would be utilized in the event of an economic crisis spawned by an imminent major layoff or a mine closure. The issue is of particular relevance in those cases where communities do not have a well-financed CDF on which to draw. It seems clear that a significant period of time would

be needed, regardless of circumstances, in order to accumulate adequate funds to meet program objectives. Industrial diversification usually takes a number of years before the economic benefits (especially fewer and less disruptive layoffs) are realized. Consequently, the CDF is ideally a medium to long term economic tool, and for communities not having the benefit of an established Fund, the creation of one would not seem to be an appropriate answer if the closure of the principal industry is imminent. Local financing would be especially difficult in these circumstances, and other responses would probably be required in these special cases. As a minimum, the CDF model would require modifications to respond to imminent economic crises. For example, in these cases consideration could be given to accelerating the schedule of contributions or reducing the onus on local governments to contribute.

The adjustment component of Option 2 (and Option 3) bears some resemblance to the Miners' Fund which has been proposed in recent years by the United Steelworkers of America. In brief, the Miners' Fund would be solely financed by employer contributions and would be used primarily for labour adjustment purposes, including training and relocation assistance and supplementary unemployment benefits. It is likely that organized labour would prefer a CDF with an adjustment component of this nature, as opposed to a fund aimed solely at economic diversification. Similarly, labour would prefer to see substantial employer contributions to CDF's. Employers are inclined to point out that in the case of marginal mines, any additional costs imposed at the local level may only hasten closure. These points are discussed in some detail below.

The major benefit of this option over Option 1 is the flexibility it would offer program administrators to address a wide range of mining community problems. The inability of government programs, federal and provincial, to meet the perceived needs of single-industry towns facing closure or major layoffs continue to be of concern, and the use of the CDF as proposed here could fill in some of the gaps. In terms of effectively assisting communities and laid-off workers, a well-planned response to a mine closure or other event requiring major adjustments could be a large improvement, over the crisis-oriented responses that are currently typical.

Since the scope of the CDF is broader under this option than under Option 1, it is likely that communities would require larger, better funded CDF's to meet program objectives. If the fund were to play a greater role in single-industry communities than envisaged in Option 1, the three levels of government would have to make larger financial contributions. This could take the form of increased annual contributions or funding over a greater number of years. This question is explored in greater detail in the cost analysis section of this paper.

OPTION 3 - CANADIAN ASSOCIATION OF THREATENED SINGLE INDUSTRY TOWNS (CATSIT) PROPOSAL

The proposal developed by CATSIT again has similar broad objectives to the previous two possible versions of the CDF. The primary difference is that the local government would assume control over disbursements from the CDF. Specifically, the "Community Development Committee" would make

recommendations for withdrawals from the fund to the local Town Council. The Council would have the authority to make the final decisions in accordance with guidelines outlined in an "agreement" signed by all parties participating financially in the Fund. Under the other options, the Community Development Committee retains control over decisions or disbursements.

The CATSIT organization believes that this option would help local governments of threatened single industry towns to assume the responsibility for planning their own future. Often communities only feel responsible for the day to day administration of the town. Few communities set development priorities, initiate a planning process, prepare long term development strategies or take a proactive role to see these plans and development priorities implemented. Consequently, when the single industry fails, and the survival of the community is at stake, the people tend to blame the company and/or governments for their problems. This option allows local governments to take greater responsibility and ensures that they have the financial resources to do so.

A related consideration is that by delegating authority for decisions related to the CDF to the local Council, the people who are closest to the community and know it best would make the decisions. In addition, by transferring this power to the local Council, the lines of responsibility between the Community Development Committee and the Town Council remain clear. There would not be two decision-making bodies with responsibilities for the town's future. Also, the Town Council has the necessary administrative mechanisms already in place, and there would not be the risk of duplicating basic administrative services.

Under this option, CATSIT recommends that only loose guidelines be used with respect to withdrawals from the Community Development Fund. The primary objective of the fund would be to effectively address the priorities identified by the community.

An argument against the CATSIT approach is that the federal and provincial governments are obliged to ensure accountability for public funds for which they are responsible. If decisions are taken by Community Development Committees, which have federal and provincial representatives, a degree of direct control is in place. Such control is not in place if the Town Council takes final decisions on disbursements. The proposed guidelines, if specific enough, could address this problem, though specific guidelines could effectively remove at least some control from the Town Council.

As in Option 2, it is suggested that a certain percentage of the fund be held in reserve in the event a closure of the single industry occurs. When a closure is close at hand or has already occured then withdrawals could be used for:

- maintenance of essential services
- support for basic social and recreational services
- downsizing planning and implementation
- tax base support
- counselling, retraining and job search
- mobility assistance (as a last resort)

V. ANALYSIS

Size of Fund - Option 1

Determination of the appropriate size of a Community Development Fund would of course have to take place on an individual community basis. It would however depend in general on two factors; local needs (or the scope of the Fund), and capacity to arrange financing.

Assessing a priori, a community's ability to make effective use of a CDF is difficult, and might best be left to local officials. Nevertheless, some considerations can be noted. Factors that would need to be considered are the population and labour force (mining and non-mining) of the community, the existing degree of diversification of the economy, whether public money is currently being spent on economic development (and how much) and, of course, the potential for the community to be successful in diversification efforts.

Since individual mining community characteristics would be important determinants of the optimal size of CDF's, a wide range in the size of the funds would be expected. However, it is illustrative to consider what a "typical" CDF might look like. Thus, for the remainder of this paper, a hypothetical model of the typical mining community will be adopted. This remotely located community is assumed to have a population of 2,000 and a total labour force of 1,000. The community is also assumed to have not engaged in diversification work previously. For convenience, the community will be called 'X'.

Table 1 illustrates a possible use of CDF funds in community 'X' on the basis of Option 1. In the example, an economic development office (staffed by an economic development manager and a secretary) would coordinate diversification activities, including assessments and promotional activities. The wages and benefits of the manager and one secretary are assumed to total $65,000, which approximates actual compensation for similar positions. A salary of $45,000 is utilized for the manager and $20,000 for the secretary. The office would have an operating budget of $30,000 annually, based on rental commitments, telephone costs, travel, office supplies, word processing facilities, and related expenditures. The total annual expenditures in this scenario are $170,000.

In terms of the economic development activities in Table 1, $30,000 would purchase consultants services, at $250 per day for 120 days. An amount of $25,000 is allocated to marketing and advertising. (As a point of reference, it would cost near $13,000 to place a 4" X 6" advertisement in 5 major newspapers for 6 days). Finally, $20,000 is allocated to miscellaneous activities such a lobbying, meeting with potential investors, possible creation of an economic development committee, and special projects.

The Canadian Association of Threatened Single Industry Towns holds the view that a fund of the size discussed here is probably too small to make a major impact. However, these estimates are intented as rough indicators only for community 'X', and could vary from community to community depending on local circumstances.

TABLE 1

POSSIBLE DIVERSIFICATION EXPENDITURES
IN THE "TYPICAL" MINING COMMUNITY

	Activity	$/Year
A.	Economic Development Office	
	Salaries	65,000
	Operating Expenses	30,000
B.	Assessments/Studies	
	Consultant Fees	30,000
C.	Marketing/Advertising	25,000
D.	Miscellaneous	20,000
	e.g., Economic Development Committee	
TOTAL		$170,000

Size of Fund - Options 2 and 3

If the CDF were to be a source of financing for adjustment assistance or other activities incorporated in Options 2 and 3, additional funds to allow expenditures exceeding $170,000 annually, would be required. Otherwise, the lack of funds in the CDF could be a source of discouragement and false expectations if adjustment needs arose.

To be confident about the size of a CDF that would be required under Options 2 or 3, it would be ideal if the costs of each of the admissible adjustment and investment activities could be quantified. However, any estimates would be critically dependent on local priorities and the characteristics of the community in question, and could not reasonably be generalized. An alternative approach is required.

The approach taken in this paper is to assume that in each community there is a practical limit to the amount that would be contributed by the three levels of government each year. The issue of financing is explored in detail below. A review of Table 5 suggests however that total annual contributions are, in the most optimistic case, unlikely to exceed $455,000. Annual contributions in the $200,000 - $400,000 range, depending on community size, would be more likely. Consequently, if $170,000 is used for the traditional diversification activities (i.e., those of Option 1), then depending on the scenario chosen from Table 5, from $15,000 - $258,000 annually would remain for other projects.

The conclusion to be drawn from this brief analysis is that CDF's would have to be relatively large in order to provide significant funding for such activities as providing seed capital, tax base support, or individual adjustment assistance. Communities would need to seek either relatively high contribution levels from governments (i.e., in the medium to high range in Table 5) or would require contribution commitments over a period of several years. In the short term, it is unlikely that CDF's would be sufficiently large, so a longer term commitment from participants would be preferable.

The capacity for a community to initiate a CDF with expenditures of the order of $170,000 annually is an important question, particularly in a time of budget squeezes. The next section explores the roles of the three levels of government in developing a sufficiently large fund for encouraging local diversification.

Funding Shares

The question of the relative funding shares to be borne by the respective levels of government is one which requires careful attention. Contributions would have to reflect each government's ability to generate funds, but in no case would the community be expected to contribute more than federal and provincial governments.

CATSIT has suggested a specific formula, whereby for every dollar raised by the community from local sources, the province would contribute two dollars and the federal government three dollars. This may or may not be an appropriate approach.

A related issue is the question of the time available to raise funding for a CDF. If a community is facing an imminent closure or major layoffs, there may not be sufficient time for its limited financial capacity to generate any significant pool of funds. In such cases, higher contributions by provincial and federal governments would be more appropriate than if the time frame for economic planning were longer.

Financing The Community Development Fund

The principle behind the financing of the CDF is that by spreading the costs as widely as possible (i.e., among the three levels of government) the burden on local taxpayers or government funds is minimized. There is no question that each level of government would have to look carefully at its budget allocations for regional and community development. However, this section of the paper suggests that with minor reallocations or surcharges, a sizable Community Development Fund can be created.

i) Local Government Financing

The initiative for a CDF would come from the local level, so it is important to consider whether mining communities can in fact generate financing for this purpose. A brief review of municipal financing is therefore in order.

Table 2 provides a general overview, by province, of the estimated per capita revenues of Canadian municipalities in 1984. Revenue sources are broken out into property taxes, revenue from other local sources, and transfers from the senior provincial governments. Typically, the vast majority of municipal revenues are derived from property taxes and transfers from the provincial government for uses as mandated in provincial legislation (specific purpose transfers). In most provinces, a large portion of the specific purpose transfers are used to finance education. Given that education expenditures are mandated, it is interesting to consider the revenues available to municipalities exclusive of this category of expenditure. The estimated per capita revenues, less education, are defined as net revenues, and are found in the last column of Table 2.

It is noteworthy that per capita net revenues vary substantially across provinces, from $182 in Prince Edward Island to $1504 in Alberta, with the national mean being $871. There is also significant variation in the percentage of gross revenue generated locally, from 56.5% in British Columbia to 17.9% in P.E.I., though in the average case revenue generated locally represents slightly over half of total revenue.

Table 3 reviews part of the expenditure side of municipal financing, focussing on the development activities of the sort the CDF would support. There are two standard categories of expenditure - resource conservation and industrial development, and regional planning and development[1] - which are most similar to CDF activities. As the table indicates, total per capita expenditures in these areas range from $1.40 in P.E.I. to $71.00 in Alberta. The national mean is $30.00 per capita. Overall, the table illustrates that relatively little (less than 2.0%) of gross expenditures in Canadian municipalities are allocated to development activities.

Further details on municipal revenues and expenditures across Canada can be found in Annex I.

The financial picture in mining communities is somewhat different than suggested in the province-wide overviews reported above. Table 4 summarizes the operating revenues, for the most recent year available, of some 50 mining communities located across Canada. Given the statutory and special status of education expenditures, the table excludes revenues generated (through taxes or transfers) for that purpose. Table 4, therefore, provides a reasonably accurate view of the actual revenues available to mining communities over which the local governments have some discretion.

Table 4 carries perhaps two key messages. The first is that there is considerable variation in the revenue sources and amounts available to local governments. For example, Port Cartier had a local operating budget of $8.48 million in 1983, or $1036 per capita (based on the 1981 census), while the local government in Logan Lake, B.C. had a 1981 operating budget of $272 per capita. Of course, different local responsibilities in each of the two provinces explain some of the variation. Nonetheless, the revenue data is illustrative of the capacity of mining communities to generate

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1 Resource conservation and industrial development includes expenditures on tourism, development of natural resources, trade, and industrial development programs. Regional planning and development includes community planning and local development projects. In both of these categories, provincial governments have a leading role and financial responsibility.

TABLE 2
PER CAPITA REVENUES OF CANADIAN MUNICIPALITIES
BY PROVINCE - 1984

JURISDICTION / SOURCE	CANADA	NFLD	P.E.I.	N.S.	N.B.	QUE.	ONT.	MAN.	SASK.	ALTA	B.C.
Property & Related Taxes	563	139	78	316	125	475	696	491	602	806	466
Other Local Source Revenue	229	49	58	138	77	124	239	229	221	551	284
Total Local Source Revenue	792	188	136	454	202	599	935	720	823	1357	750
General Purpose Provincial Transfer	68	90	21	51	150	48	85	67	91	54	40
Specific Provincial Transfer	643	44	595	752	50	735	616	649	539	989	517
Total Provincial Transfers	711	134	616	803	200	783	701	716	630	1043	557
Other	31	19	4	44	18	13	39	37	38	36	20
Gross Revenues	1534	341	756	1301	420	1395	1675	1473	1491	2436	1327
Education Expenditures	663	-	574	638	-	655	720	634	772	932	577
Net Revenues	871	341	182	663	420	740	955	839	719	1504	750

SOURCE: Derived from Statistics Canada Cat.# 68-204, Local Finance.
Note: The estimates are provided for illustration only. Municipal financing varies considerably across provinces and by size of community, among other factors. In particular, the data in this table includes large cities.

TABLE 3

PER CAPITA DEVELOPMENT EXPENDITURES OF CANADIAN MUNICIPALITIES
BY PROVINCE - 1984

($)

JURISDICTION / FUNCTION	CANADA	NFLD	P.E.I.	N.S.	N.B.	QUE.	ONT.	MAN.	SASK.	ALTA	B.C.
Resource Conserv. & Industrial Devt.	15	0.74	0.19	13	5	8	19	7	18	39	7
Regional Planning & Development	15	2.04	1.21	8	7	13	15	11	10	32	17
Total Development	30	2.77	1.40	21	12	21	34	18	28	71	24
Gross Expenditures	1584	336	770	1315	414	1470	1671	1458	1732	2615	1396
Development as a percentage of gross expenditures	1.90	0.82	0.18	1.60	2.89	1.43	2.03	1.23	1.62	2.71	1.72

SOURCE: Derived from Statistics Canada Cat.# 68-204 Local Finance.

TABLE 4
OPERATING REVENUES OF SELECTED MINING COMMUNITIES
($ thousands)

Community	Property & Related Taxes	Other Local Source	Total Local Source	Provincial Transfers	Other	Total	Per Capita Total Revenue $
1. Bathurst, N.B.[84]	4,664	266	4,930	3,356		8,286	341
2. Newcastle	1,928	202	2,130	1,414		3,544	564
3. Belledune	170	6	176	80		256	371
4. Sept-Iles, Que.[83]	20,172	3,590	23,762	343		24,105	802
5. Baie Comeau	14,746	6,763	21,509	828		22,337	757
6. Val d'Or	7,067	2,299	9,366	543		9,909	422
7. Thetford Mines	7,157	2,488	9,645	90		9,735	281
8. Rouyn	5,300	3,383	8,683	66		8,749	305
9. Chibougamau	3,664	1,035	4,699	410		5,109	476
10. Port Cartier	7,150	1,262	8,412	72		8,484	1,036
11. Asbestos	2,954	895	3,849	332		4,181	294
12. Lac du Bonnet, Man.[82]	431	153	584	85	246	915	284
13. Lynn Lake	160	124	280	205	342	827	386
14. Leaf Rapids	1,397	271	1,668	95	399	202	918
15. Snow Lake	329	163	492	97	739	1,328	717
16. Flin Flon	1,192	691	1,883	425	2,772	5,080	644
17. Thompson	2,493	1,061	3,554	707	6,478	10,739	750
18. Houston, B.C.[81]	n.a.	n.a.	1,405	332	5	1,742	444
19. Fraser Lake	n.a.	n.a.	709	162	62	933	605
20. Granisle	n.a.	n.a.	728	129	7	864	605
21. New Denver	n.a.	n.a.	116	92		208	324
22. Salmo	n.a.	n.a.	177	149	13	339	290
23. Peachland	n.a.	n.a.	664	240	5	909	317
24. Fernie	1,326	539	1,865	515	13	2,393	440
25. Kimberley	2,610	503	3,113	651	88	3,852	522
26. Elkford	814	505	1,319	414	38	1,771	566
27. Sparwood	1,657	1,068	2,725	427	20	3,172	763
28. Kitimat	6,462	1,992	8,454	1,328	1	9,783	763
29. Stewart	675	180	855	170		1,025	704
30. Trail	4,053	1,489	5,542	1,701	194	7,437	324
31. Port Hardy	1,648	552	2,200	775		2,975	586
32. Princeton	482	140	622	308	14	944	309
33. Tumbler Ridge	-	12	12	932		944	944
34. Ashcroft	450	281	731	224	1	956	443
35. Logan Lake	241	265	506	204	6	716	272
36. Baie Verte, Nfld.[84]	559	115	674	533		1,207	485
37. Daniel's Harbour	22	13	35	25		60	977
38. Hinton, Alta.[82]	2,494	1,045	3,539	1,061		4,600	551
39. Uranium, Sask.[83]	1,947	166	2,113	246		2,359	858
40. Sudbury, Ont.[83]	17,063	12,873	29,936	10,662	n.a.	40,598	441
41. Timmins	11,748	5,634	17,382	15,202	432	33,016	716
42. Onaping Falls	1,284	409	1,693	1,098	n.a.	2,791	450
43. Elliot Lake	6,913	2,617	9,530	5,870	n.a.	15,400	921
44. Ignace Twp.	849	233	1,082	740	n.a.	1,822	729
45. Red Lake Twp.	877	270	1,147	850	n.a.	1,997	942
46. Ear Falls, Twp.	969	460	1,429	717	n.a.	2,146	1,058
47. Pickel Lake Twp.	323	68	391	168	n.a.	559	1,013
48. Balmertown	708	443	1,151	693	n.a.	1,844	901
49. Cobalt	402	214	616	494	n.a.	1,110	631
50. Kirkland Lake	4,216	1,399	5,615	6,204	n.a.	11,819	967
51. Pine Point, NWT[85]	1,128	356	1,484	256	1	1,741	935
52. Faro, Yukon[85]	757	246	1,003	387		1,390	841
TOTAL			216,185	63,107	11,876	291,168	615

Source: Derived from municipal financial statements.

Notes: 1. The calculation of per capita revenues is based on 1981 Census population data.
2. The most recent year for which financial statements were available varied across provinces. The year for which the data applies is indicated by the superscripts on each of the province names.
3. All revenues pertaining to expenditures on education (e.g. school boards) are excluded.

n.a. Not separable from 'other local source' revenue.

funding for CDF's though in the end, it is their ability to reallocate existing budgets or raise new marginal funds which will determine the extent of their contributions to CDF's.

The other conclusion that can be drawn from Table 4 is that mining communities have smaller operating budgets, on average, than the average for all Canadian municipalities. The average per capita revenue in mining communities is approximately $615 (excluding revenue for education) while the national average (again excluding education) is in the order of $870 per capita. Consequently, the ability of mining communities to establish CDF's, while still significant, is less than the national averages in Tables 2 and 3 which, of course, include large cities.

In light of the foregoing tables, what can be said about mining community contributions to Commmunity Development Funds? Two potential revenue sources are considered here. Assume for discussion purposes that in community 'X', the local government allocated $20/capita annually from their existing budget to a CDF. In this scenario, $40,000 would be generated in each year of the program. According to Table 3 the $20/capita would represent only 2/3 of local budget actually being allocated for development purposes in the "typical" case. In addition, from Table 4, the $40,000 reallocation would be equivalent to 3.3% of "average" municipal revenue of $615/capita.

Another source of revenue for CDF's could be special tax levies on residents, employers, or both. Assume, for example, that a special levy equivalent to 5% of existing property and related taxes were introduced, and that property taxes were equivalent to $300 per capita (i.e., approximately one-half of total local revenues). For community 'X' with a population of 2,000, the level would then be $15 per capita or $30,000 in total. As discussed below, the cost to local taxpayers would exceed $15/capita because obviously not everyone pays tax. Nevertheless, utilizing both of these sources together would generate $70,000 annually in the scenario just described.

A third source of local revenue could be voluntary contributions by local residents or employers. While the success of this approach would depend on the social and economic characteristics of each community, it is certainly consistent with the objectives of this proposal. A volunteer effort to generate CDF contributions might also build community spirit, and would reduce the need to reallocate municipal budgets or impose special taxes.

It must be emphasized that capacity to initiate a CDF would vary from community to community, and across provinces. Some communities might have considerable difficulty in accumulating a $50,000 fund in the first year, while others could probably generate over $100,000 relatively easily. Communities could also accumulate funds at lower rates each year, but over a greater number of years. Sources of local financing would also vary. Nevertheless, through budget reallocations as outlined above in the order of $15-25 per capita, and tax surcharges (special levies) generating $10-$20 per capita, substantial funding could be established. Moreover, based on the illustration for community 'X', it is not beyond the current capacity of most mining communities to generate funds for a CDF. As discussed below, with sufficient federal and provincial support, a CDF could be financed in as short a period as two years.

ii) Provincial Government Financing

The figures in Table 2 lend support to Professor Harry Kitchen's description in Local Government Finance in Canada[1] of the financial relationship between provinces and municipalities.

> "While municipal or local government finances have long had a direct impact on the Canadian way of life, municipalities are not free to control solely their own financial destinies. Their powers and expenditure responsibilities, along with their revenue sources, are dictated by provincial statutes. In turn, these provincial statutes are defined by the power of the Constitution Act. This Act has brought about the establishment of local governments that are legally subordinate to their respective provincial governments. As such, municipalities have been and are particularly limited in their ability to control their own sources of revenue. This had led to a situation where most of a municipality's current revenue is obtained from a mixture of real property taxation, licenses, fees or users charges, and provincial transfers".

Notably, in most provinces, almost half of total municipal revenue (including revenue for education) is derived from provincial transfers.

Given the roughly equal sharing of the municipality and province in local financing, a similar sharing in CDF financing would seem to be a feasible option. Assume, for discussion purposes, that the province contributed the equivalent of 5% of total existing municipal transfers to the CDF in community 'X'. Using the national average from Table 2, the provincial contribution would amount to 5% of $711 or about $35/capita. In community 'X' this would generate $70,000 in total. The province would of course have to determine the sources for this new spending (taxes, reallocations, deficit financing). Nevertheless, as Table 6 below suggests, a contribution of this size would represent a very small percentage of the "average" provincial budget.

Additionally, provincial contributions to the CDF could be financed by special community-based allocations of mining tax revenue. The revenue could be generated, as in Manitoba, by directing up to 3% of mining tax revenues in each year into a Reserve Fund. Other provinces might opt for a different percentage or for an entirely different approach. Expenditures from the fund would be directed to individual communities based on the population share of a particular mining community relative to all mining communities in the province. Considering Lynn Lake, Manitoba as an example, approximately 6.7% of Manitoba's mining community population resides in Lynn Lake. According to the formula proposed here, Lynn Lake would be entitled to 6.7% of average annual receipts in the Mining Community Reserve. Based on Mining Community Reserve Fund receipts over the last 15 years, Lynn Lake would receive about $29,700 or $14/capita, for each year of the program. For community 'X', the contribution would be $28,000 annually.

There are some difficulties in allocating mining tax revenue by community. The definition of a mining community would be important here, since

1 Kitchen, H.M., Local Government Finance in Canada (Toronto: The Canadian Tax Foundation, 1984), pg. 3.

it would determine eligibility to the program. Mining community populations can also vary widely over time. Finally, the issue of cross-subsidization may arise if the share of mining taxes paid from the community exceeds its share of the tax based on population share. Despite these concerns, mining tax revenues appear to be a legitimate source of contributions to CDF's.

To review, the budgetary impact of provincial contributions to a Community Development Fund would depend on the size of the provincial mining industry. However, through a combination of increased transfers to municipalities and a redirection of mining tax revenues, contributions in the order of $50/capita annually (or $100,000 in the hypothetical community 'X') could be generated. In addition, mining taxes are directed back to benefit communities dependent on the industry. Further analysis of the CDF impact on provincial budgets follows below.

iii) Federal Government Financing

The federal government has a limited role in municipal affairs. Jurisdictional authority rests with the provinces. However, federal programs have a role at the community level in view of the special problems of small or remote labour markets. Thus, federal financial contributions to Community Development Funds could logically be drawn from the Community Futures element of the Canadian Jobs Strategy. Within Community Futures, program elements such as the Community Futures Committee, Business Development, or Community Initiatives Fund could apply.

For 1985-86, $150 million has been allocated to Community Futures. If this is a reasonable indicator of Community Futures funding in future years, then a sizable amount of money could be available to support Community Development Funds in mining communities. To illustrate, assume that each of Canada's 75 mining communities established a fund with local and provincial funding totaling $200,000 annually. If the federal government matched this contribution (i.e., $200,000 per community), the total cost could be $15 million, or 10% of funds potentially available for the Community Futures program. If the federal contribution were $100,000 per community, which would match each of the local and provincial contributions, the total cost would be halved, and would be some $7.5 million.

Modifications to Community Futures may be required if it were to be the delivery vehicle for CDF's. Questions have also been raised by working group members about the adequacy of Community Futures funding. However, the programs are clearly compatible and their objectives are similar, namely to encourage local initiative and responsibility in addressing community problems.

Cost Considerations

Perhaps a primary reason for researching new ways to finance mining community adjustment is that the traditional adjustment mechanisms have not proven sufficiently cost-effective. The federal and most provincial governments are facing budget deficits that preclude large new outlays of funds. Consequently, if new programs are to be introduced, the costs must

be shared among all concerned. Moreover, the new programs must prove to be a better use of public funds, from a cost-effectiveness perspective, than existing expenditures on community diversification.

TABLE 5

Community Development Funds
Three Financing Scenarios

Annual Funding	Low	Medium	High
Budget Reallocations ($ per capita)	10	20	30
Tax Levies (%)	2.5	5	7.5
Provincial Contributions	50,000	100,000	150,000
Federal Contributions	100,000	200,000	200,000
Fund Size after one year	185,000	370,000	455,000
Fund Size after two years (10% interest)	388,500	777,000	955,500

A review of Table 5 provides the possible parameters for a CDF. It is useful to look at the costs that might be incurred at the local, provincial, and federal levels under the medium scenario in that Table (which is based on the financing parameters developed above). In that scenario, annual federal contributions are assumed for estimation purposes to be $200,000 for each CDF, provincial contributions are $100,000, and the community contributes a total of $70,000 annually. Note that it is assumed that funds are accumulated over a period of two years, and after that time, a fund of the order of $777,000 (assuming an interest rate of 10%) would be available.

Local financing of a CDF, as contemplated in this section of the paper, would come from two sources; a special property tax surcharge of 5% and a reallocation of $20/capita from the local budget. (Voluntary fund raising or other forms of taxes are alternatives, but are not used in this example.) In statistical terms, the 5% tax surcharge would generate $15/capita ($30,000) in community 'X'. The budget reallocation would generate $40,000 in this same community. In total, $35/capita or $70,000 would be allocated to the CDF, and this would be done in each of two years. Note that by drawing on two sources of financing, the impact on either one is less than would be the case if the financing was drawn from a single source.

From the taxpayers' perspective, the tax levy would represent an estimated total tax burden on individuals exceeding the annual $15/capita tax derived above. That is, assume that the labour force participation rate is 50% and that 20% of the labour force are renters in the community. If the special tax is levied on all property owners in the local labour force,

then 40% of the total population would finance the $15/capita tax. On this basis, the levy would cost each taxpayer $37.50 per year or $75 in total for the program. While perhaps not excessive, this additional tax burden on individuals is sufficiently large that it might be considered more equitable for the mining company to pay part of the tax.

From the community perspective, based on Statistics Canada estimates (Cat. #68-204), expenditures in all Canadian communities totalled $39.8 billion in 1984. For the 50 mining communities for which financial data was available, total expenditures are estimated at approximately $300 million, or $615 on a per capita basis. The present scenario contemplates that the cost to the local government, in terms of a budget reallocation to contribute to a CDF, would be $20 per capita. That amount is equivalent to roughly 3.0% of the "average" local budget.

A difficult but important issue is how much mining companies and other employers/businesses should contribute to the CDF. Clearly, this is a question that communities could consider, as it would affect the cost burden on individual taxpayers. In fact, in mining communities where residential property is largely company-owned, corporate contributions of some kind appear more feasible and appropriate than tax levies on individuals. Also, companies are generally municipal taxpayers, or pay a grant to the local government in lieu of tax, so it seems logical that they contribute to CDF's on the same basis as other taxpayers. Finally, it might be argued that the primary employer, the mining company, has a special responsibility to the community. Effective solutions are likely to be found only if businesses work in partnership with the community.

Conversely, there are arguments which suggest that businesses should not be expected to contribute, including: (1) imposition of the tax may prove to be a disincentive to invest in the local economy; (2) business profits in a single-industry community, even those of the primary employer, may be nonexistent or stretched thinly even without the tax; (3) imposition of new costs on the primary employer could lead to premature mine closure; and (4) if required to choose, the employers' more appropriate role might be to provide adjustment assistance for displaced workers rather than contribute to community-based funds. In any case, this is an issue which could be resolved on a case by case basis between businesses and local government. It is also an issue on which employers and the labour movement might disagree, since labour would probably press for employer contributions in most if not all communities.

Provincial contributions to local CDF's would of course be financed in the manner which each jurisdiction deems appropriate. However, the two measures contemplated here are a 5% increase in transfers to the mining communities, and an allocation of 3% of mining tax revenue on a community basis. Based on these percentages, Table 6 illustrates the estimated budgetary impact of the two measures in each province with mining communities. The list of communities is taken from New Financial Mechanisms for Addressing Mining Community Problems. Since the CDF idea is designed for smaller, single-industry communities, it is assumed that all communities listed therein, with a population less than 35,000, would establish a CDF.

Table 6
Estimated Provincial Budgetary Impact[1]
Community Development Funds
($ thousands)

Province/ Function	Nfld.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1. Transfers	119	862	313	8,275	2,438	1,109	415	726	2,321
2. Mining Taxes/ Royalties[2]	618	156	210	1,286	2,386	471	5,766	555	1,924
Total	737	1,018	523	9,561	4,824	1,580	6,181	1,281	4,245
Total Provincial Expenditures (1984)	2,183,400	2,933,100	2,519,900	27,251,400	26,518,300	3,885,400	3,524,800	12,589,200	9,282,400
CDF Expenditures as a Per cent of Total Expenditures	0.038	0.035	0.021	0.035	0.018	0.040	0.176	0.010	0.046
Population Receiving Benefits	17.798	21.466	31.341	211.471	69.526	31.788	13.176	13.915	83.316

Notes:
[1] The two territories are omitted, not because communities there would be ineligible for CDF's. Rather, their financial structure is sufficiently different to warrant separate consideration.
[2] Estimates derived from provincial mining tax and royalty receipts 1978-83 reported in Statistics Canada Cat. #68-207, Provincial Government Finance.

An example should clarify the results obtained in Table 6. From New Financial Mechanisms, it is estimated that if all eligible mining communities established CDF's, then in Ontario for example, 69,526 people in some 18 towns could benefit. From Table 2, total provincial transfers to municipalities are $701 per capita, so for these 18 communities, total transfers are an estimated $48.7 million. Transfers to the CDF's would be 5% of this amount, or $2.438 million (line 1 of Table 6).

Line 2 of Table 6 is the estimated impact by province if 3% of mining tax and royalty receipts were allocated to CDF's. To derive the estimate, a five-year average of mining tax and royalty receipts, over the period 1978-79 to 1982-83, was calculated. This time frame would appear representative as it includes a growth phase for the industry as well as the 1981/82 recession. The contribution to CDF's reported on Line 2 is taken as 3% of the estimated five-year average. For Manitoba, as an example, average annual receipts over the period were $15.7 million, so the province's annual contribution, on average, would be $471,000. The data on which these estimates were based can be found in Annex II.

Two aspects of the mining tax and royalty estimates bear emphasis. Firstly, receipts will vary substantially from year to year. Consequently, contributions to CDF's from this source would also be quite variable. Secondly, the importance of mining taxes and royalties to total provincial revenue varies among the provinces. In Saskatchewan, for example, mining taxes and royalties averaging $192 million over the study period were collected, while $79.5 million were collected in Ontario. An important implication of this variability in tax regimes is that each province would perhaps allocate different percentages of mining tax and royalty revenue to CDF's. Perhaps 3% might be an appropriate upper limit in Manitoba while something less would be more realistic in Saskatchewan.

A review of Table 6 shows that overall, this program would make a minor impact on provincial budgets, generally less than one-tenth of one per cent of expenditures (based on 1984 figures). Annual program costs could vary from $523,000 in New Brunswick to over $9.5 million in Quebec. Costs vary depending on the current magnitude of transfers to communities in each province, the number and size of small mining communities in each province, and on provincial tax policies. Of course, the estimates in Table 6 are only rough, but should give a reasonable indication of the financial magnitudes involved.

It bears emphasis at this stage that the sources of provincial funds proposed here for allocation to CDF's are not the only ones available, nor are they even the suggested ones. However, the estimates do seem to indicate that provinces could contribute significant and beneficial amounts to CDF's with only a minor impact on provincial budgets.

Federally, contributions to the CDF's could be drawn from the Community Futures element of the Canadian Jobs Strategy or from other sources as appropriate. (In view of its responsibilities for regional economic development, programs of the Department of Regional Industrial Expansion have been suggested as other possible sources of funds). For purposes of cost estimation, if 75 mining communities were to establish CDF's to which the

federal government contributed $200,000 each over a period of two years, the annual draw on Community Futures would be $15 million. Based on the amount of funds available for Community Futures for 1985-86, the $15 million draw would represent 10% of the $150 million available.

The estimates discussed this far represent the costs of a national Community Development Fund program. However, the net costs (i.e., the difference between the program costs and the resulting benefits) would be much different. The benefits are also more complex to estimate (and are beyond the scope of this paper) but would depend on the amount of economic activity that would be generated as a result of diversification efforts undertaken with CDF financing. In this sense, benefits would be long term and structural in nature. There would also be considerable "social" benefits in every case where a community's future was secured as a result of diversification efforts.

VI. CONCLUSIONS

The Community Development Fund is designed to provide a means to promote economic development and forward planning in single-industry mining communities. The proposal assigns a significant role to the community to initiate the fund through local financing. Provincial and federal funding supports the local initiative. Once in place, a CDF would permit greater local planning in order to avoid the crisis situations associated with mine closures and large-scale layoffs. Implementation of the proposal would respond in part to one of the few outstanding recommendations from the 1982 Report of the Task Force on Mining Communities.

The working group on mining community issues has developed three options for the operation of the CDF. The options differ essentially according to the types of disbursement that would be permissible from the fund, and who would decide about disbursements in each community. Option 1 provides for the range of fundable activities to be relatively restricted, permitting only traditional public sector diversification expenditures. Community development committees would have authority over disbursement decisions. This Option is most similar to the federal Community Futures program. Option 2 differs from Option 1 in that a much broader range of activities would be permissible, including supplements to the municipal tax base, maintenance of essential services, and the provision of seed capital for feasible economic development projects. Expenditures on labour adjustment would also be permitted. Option 3 is similar to Option 2 except that control over disbursements would rest with the Town Council rather than with the community development committee (which would have representation from the community and federal and provincial governments).

Financing of a CDF would be spread among all levels of government thereby reducing the financial burden on any one entity. This paper has attemped to show that for many mining communities, the financing required to generate CDF's is within reach. A "typical" mining community could have access to a CDF of just less than $800,000 in just two years through a combination of (1) minor budget reallocations, special tax assessments on employers or residents, or voluntary contributions, at the local level; (2) small provincial grants or reallocations of provincial mining tax revenue; and (3) federal contributions from the Community Futures initiative. In the "typical" case, which could vary widely across communities, $70,000 could be generated locally, $100,000 provincially, and up to $200,000 federally in each of two years. Financing on this order would support expenditures of $170,000 annually for over four years, consistent with the scope of Option 1. Increased contributions, or contributions spread over more than two years, would likely be required to finance Options 2 and 3.

In designing Community Development Funds, local and provincial conditions would have a significant impact on program structure. For example, provinces might contribute to CDF's at different rates each year depending on variations in mining tax revenues. Similarly, communities might accumu-

late funds at different rates. For example, those towns facing major layoffs in one or two years might need to build funds rapidly while those with good long-term prospects could build funds more slowly.

The CDF mechanism would enhance the financial resources and program flexibility available to single industry communities for planning and economic development. As such, it could respond to needs that have existed for some years in mining communities and, unfortunately, which resurface after many mine closures or major layoffs. The working group is largely supportive of this financial mechanism, and has identified a number of steps that could be taken to advance the Community Development Fund idea:

(i) At the federal level, the CDF mechanism could be proposed as a means to strengthen the Community Futures Program. Indeed, linking Community Futures to a CDF mechanism could be seen as a logical evolution for the program.

(ii) Provincially, implications of the idea could be looked at more closely with a view to encouraging greater economic planning at the local level through the fund.

(iii) If there is sufficient interest, Mines Ministers could propose specific mining communities in which the CDF model could be tested.

ANNEX I

LOCAL GOVERNMENT FINANCING

TABLE 1

REVENUES OF CANADIAN MUNICIPALITIES BY PROVINCE, 1984
(millions)

JURISDICTION / SOURCE	CANADA	NFLD	P.E.I.	N.S.	N.B.	QUE.	ONT.	MAN.	SASK.	ALTA	B.C.
Property & Related Taxes	14,147	81	10	275	89	311	6,220	519	606	1,893	1,338
Other Local Source Revenue	5,754	28	7	120	55	812	2,136	242	222	1,294	815
Total Local Source Revenue	19,901	109	17	395	144	3,923	8,356	761	828	3,187	2,153
General Purpose Provincial Transfers	1,709	52	3	44	107	314	760	71	92	127	115
Specific Provincial Transfers	16,157	25	75	518	36	4,814	5,505	686	542	2,323	1,484
Total Provincial Transfers	17,866	77	78	562	143	5,128	6,265	757	634	2,450	1,599
Other	779	11	1	38	13	85	349	39	38	85	57
TOTAL	38,546	198	95	1,132	300	9,136	14,970	1,556	1,500	5,722	3,809

SOURCE: Statistics Canada Catalogue #68-204, Local Finance.

TABLE 2

EXPENDITURES OF CANADIAN MUNICIPALITIES BY PROVINCE, 1984
(millions)

JURISDICTION / FUNCTION	CANADA	NFLD	P.E.I.	N.S.	N.B.	QUE.	ONT.	MAN.	SASK.	ALTA	B.C.
Protection	2,346	16	4	74	63	707	1,297	120	110	361	397
Transportation	4,003	41	4	58	71	905	1,482	178	253	631	364
Health & Social Services	3,631	neg.	neg.	220	2	29	1,954	141	209	877	197
Education	16,661	neg.	72	554	-	4,290	6,439	670	777	2,189	1,658
Development	674	2	2	18	9	137	303	18	30	169	67
Environment	2,990	47	5	64	49	749	1,067	95	120	472	300
Debt Charges	2,975	42	5	55	39	1,108	473	105	56	639	450
Other (e.g., General Services, Recreation)	6,528	47	4	101	62	1,703	1,916	214	188	805	575
TOTAL	39,808	195	96	1,144	295	9,628	14,931	1,541	1,743	6,143	4,008

SOURCE: Statistics Canada Catalogue #68-204, Local Finance.
Notes: neg: negligible.

ANNEX II

Provincial Mining Tax and Royalty Receipts, 1978-83

Province/ Revenue	Nfld.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
					(000's)					
1978-79	13 623	3 664	3 025	35 069	43 719	14 416	157 879	25 538	41 837	338 770
1979-80	17 091	3 307	10 707	33 764	101 400	22 437	187 804	10 512	68 743	455 765
1980-81	27 638	5 946	8 080	60 607	163 910	24 610	307 994	15 012	118 811	732 608
1981-82	23 314	11 062	7 705	55 960	58 305	15 849	229 055	20 184	62 454	483 888
1982-83	21 297	1 941	5 415	28 893	30 307	1 150	78 262	21 201	29 126	217 592
Total	102 963	25 920	34 932	214 293	397 641	78 462	960 944	92 447	320 701	2 228 323
Average (5 year)	20 593	5 184	6 986	42 859	79 528	15 692	192 189	18 489	64 140	445 665
% of Average	618	156	210	1 286	2 386	471	5 766	555	1 924	13 370
Mining Community Population	17 798	21 466	31 341	211 471	69 526	31 788	13 176	13 915	83 316	545 720
Annual Per Capita ($)	34.70	7.27	6.70	6.08	34.32	14.82	437.61	39.89	23.09	24.50

Source: Statistics Canada, Cat. No. 68-207.

ANNEX III

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* The analysis and conclusions in this paper do not necessarily reflect the official views of organizations represented on the working group.